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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992

or

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period ended _____ to _____

COMMISSION FILE NUMBER 0-18341

Protech, Inc.
(exact name of registrant as specified in its charter)

Nevada	93-0929603
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
11550 IH-10 West, San Antonio, TX	78230
(address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: (512)699-1990

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

As of March 31, 1992, there were 3,165,573 shares outstanding of the Registrant's common stock, $.001 par value per share.

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Protech, Inc.

Form 10-Q

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PART I - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

PROTECH, INC.
Balance Sheets

Assets	March 31, 1992 (Unaudited)	June 30, 1991
Current assets:		
Cash	$ 5,347	$ 56,208
Accounts receivable, principally trade, less allowance for doubtful accounts of $27,844 and $24,000, respectively	293,189	186,892
Inventories (note 2)	364,864	437,710
Prepaid expenses	20,762	2,288
Total current assets	684,162	683,098
Equipment, less accumulated depreciation of $152,105 and $113,232, respectively	228,900	240,975
Software development costs, less accumulated amortization of $589,509 and $464,363, respectively	510,052	507,179
Other assets, at cost, less accumulated amortization	18,991	73,320
	$ 1,442,105	$ 1,504,572
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of obligations under capital lease	$ 8,838	$ 8,923
Notes payable to affiliates	300,000	300,000
Trade accounts payable	285,227	399,254
Accrued compensation	80,014	160,960
Accrued interest and other debt expense	1,767	122,793
Accrued expenses	50,658	133,522
Deferred service revenue	19,810	11,758
Total current liabilities	746,314	1,137,210
Obligations under capital lease, excluding current installments	20,227	26,211
Accrued rent expense	37,242	42,148
Total liabilities	803,783	1,205,569
Stockholders' equity:		
Class A convertible preferred stock, $.001 par value at stated value. Authorized, 5,000,000 shares; issued and outstanding, 31,945 shares (aggregate liquidation preference of $379,737 in 1991)	287,500	305,000
Common Stock, $.001 par value. Authorized, 25,000,000 shares; issued and outstanding, 3,165,573 shares, and 2,578,635 shares, respectively	3,166	2,579
Additional paid-in capital	3,614,822	3,069,384
Accumulated deficit	(3,267,166)	(3,077,960)
Total stockholders' equity	638,322	299,003
	$ 1,442,105	$ 1,504,572

PROTECH ,INC.
STATEMENTS OF OPERATIONS

	Three-Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
	(Unaudited)		(Unaudited)	
Revenue:				
Net sales	$ 455,319	$ 362,256	$ 1,779,952	$ 670,083
Other	9,624	277	26,766	14,516
	464,943	362,533	1,806,718	684,599
Cost and expenses:				
Cost of goods sold	244,495	158,249	909,564	319,303
Selling, general and administrative expenses.	295,428	409,573	931,658	1,403,438
Research and development expenses	41,088	32,703	122,953	218,806
Interest and other debt expense	10,412	8,114	31,752	18,734
	591,423	608,639	1,995,927	1,960,281
Earnings (loss) before income taxes and extraordinary item	(126,480)	(246,106)	(189,209)	(1,275,682)
Income tax expense	--	--	--	--
Loss before income taxes and extraordinary item	(126,480)	(246,106)	(189,209)	(1,275,682)
Extraordinary item	--	--	--	--
Net earnings (loss)	(126,480)	(246,106)	(189,209)	(1,275,682)
Cumulative dividends on preferred shares	10,061	11,550	20,126	23,100
Net earnings (loss) applicable to common shares	$ (136,541)	$ (257,656)	$ (209,335)	$ (1,298,782)
Earnings (loss) per commons shares:				
Earnings (loss) before extraordinary items.	$ (.04)	$ (.10)	$ (.07)	$ (.51)
Net earning (loss)	$ (.04)	$ (.10)	$ (.07)	$ (.51)
Weighted average number of common shares outstanding	3,161,266	2,558,535	3,035,187	2,558,535

PROTECH, INC.
STATEMENTS OF CASH FLOWS

	Nine-Months Ended March 31.	
	1991	1991
Net earnings (loss)	$ (189,209)	$(1,275,682)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Depreciation and amortization	173,099	144,481
Provision for doubtful accounts	10,494	--
Gain on sale of assets	(1,443)	--
Decrease (increase) in accounts receivable	(116,791)	364,246
Decrease (increase) in inventories	72,846	(196,510)
Decrease (increase) in prepaid expenses	(18,474)	10,404
Decrease in other assets	53,204	21,360
Increase (decrease) in accounts payable	(114,027)	103,650
Increase (decrease) in deferred revenue	8,052	(42,438)
Increase (decrease) in accrued expenses	(86,002)	3,349
Increase (decrease) in accrued compensation.	(80,946)	16,940
Net cash used in operating activities	(289,197)	(850,200)
Cash flows from investing activities:		
Expenditures for software development costs	(128,018)	--
Expenditures for equipment	(33,308)	(16,703)
Net cash used in investing activities	(161,326)	(16,703)
Cash flows from financing activities:		
Principal payments under capital leases	(6,069)	(4,908)
Proceeds from issuance of notes	300,000	251,793
Principal and interest payments on notes	(310,293)	--
Proceeds from issuance of capital stock	470,550	--
Expenditures for offering	(54,526)	--
Net cash provided by financing activities	399,662	246,885
Net decrease in cash	(50,861)	(620,018)
Cash at beginning of period	56,208	657,536
Cash at end of period	$ 5,347	$ 37,518

PROTECH, INC.
NOTES TO FINANCIAL STATEMENT
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions to Form 10-Q used for quarterly reports under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

The financial information included in this report has been prepared in conformity with the accounting principles, reflected in the financial statements included in a Registration Statement on Form S-1 (File No. 33-31189) filed with the Securities and Exchange Commission and declared effective on December 21, 1989.

In the opinion of management of the Company, all adjustments (consisting of only normal recurring accruals) necessary for a fair statement of the results for the interim periods presented have been recorded.

The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

The accompanying financial information, which is unaudited (except for the balance sheet as of June 30, 1991, which is audited), is necessarily based on certain estimates and is currently subject to year-end audit adjustments.

(2) Summary of Significant Accounting Policies

(a) Protech, Inc. (the "Company") was incorporated on July 9, 1986 in the State of Nevada for the purpose of developing and marketing in-circuit test system equipment. The Company was a development stage company during its first year of operations with sales commencing in April 1987.

(b) Inventories

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

	March 31, 1992	June 30, 1991
Raw materials	$189,239	$197,605
Finished goods	175,625	240,105
	$364,864	$437,710

(c) Earnings (Loss) per Common Share

Earnings (loss) per common Share is computed based on the weighted average number of common shares outstanding during the period and includes the effect of cumulative dividends on the preferred stock. The stock purchase warrants are not dilutive. Fully diluted earnings per share are not reflected due to the anti-dilutive effect of the preferred shares.

(d) Commitments

On July 7, 1990, the Company moved into new facilities and signed a non-cancelable operating lease that expires on June 30, 1996. The minimum lease payments for the additional space are $140,184, $153,180, $153,180, $153,180, and $153,180 for the fiscal years ended June 30, 1992, 1993, 1994, 1995, and 1996, respectively.

On July 7, 1990, a capital lease obligation of $41,968 was incurred when the Company entered into leases for new equipment. The present value of future minimum capital lease payments as of September 30, 1990 are $11,764, $11,764, $11,764, and $11,764 for the fiscal year ended June 30, 1992, 1993, 1994, and 1995, respectively.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATION

The following table sets forth, for the periods indicated, a percentage analysis of items in the Statement of Operations in relation to the Revenue of the Company.

STATEMENT OF OPERATIONS AS A PERCENTAGE OF REVENUE

	THREE-MONTHS ENDED MARCH 31,		NINE-MONTHS ENDED MARCH 31,	
	1992	1991	1992	1991
REVENUE	100%	100%	100%	100%
COST OF GOODS SOLD	53%	44%	50%	47%
SELLING, GENERAL AND ADMINISTRATIVE	63%	113%	51%	205%
RESEARCH & DEVELOPMENT	9%	9%	7%	31%
INTEREST & FACTORING	2%	2%	2%	3%
TOTAL OPERATING EXPENSE	127%	168%	110%	286%
NET LOSS	(27%)	(68%)	(10%)	(186%)

REVENUE increased from $684,599 during the nine months ended March 31, 1991 to $1,806,718 during the nine months ended March 31, 1992. The increase of $1,122,119, or 164%, is attributable to the successful establishment of International Distributors, the revitalization of the Company's Distributor in the United Kingdom and increased sales in the Domestic Markets. Approximately 35% of the increase in revenues over the prior period is attributable to increased International sales. Of significance during the period ended March 31, 1992 are $684,692 in revenues achieved through a private label manufacturing agreement which began in March 1991. During the nine month period ended March 31, 1991, revenues achieved through the private label manufacturing agreement totalled $4,632.00. Such private label manufacturing agreement represented 38% of all revenues during the period. The term of the current private label manufacturing agreement expires during May 1992. It is not the intention of the Company to extend the agreement.

REVENUE increased from $ 362,533 during the three months ended March 31, 1991 to $464,943 during the three months ended March 31, 1992. The total increase of $102,410, or 28% is principally attributable to the establishment of the private label manufacturer agreement: during 1992, which represented $179,393 in revenues during the three month period ended March 31, 1992, Domestic

sales decreased for these periods: from $277,949 to $174,43, 1991 and 1992, respectively.

During the nine month period ended March 31, 1991, the Company experienced a significant slow down in purchases through the Company's Indirect Selling Organizations (ISO's) throughout the Domestic marketplace, a substantial reduction in orders received from the Company's International Distributor and a re-scheduling, postponement or termination of orders secured through the Company's direct selling organization. It is the Company's belief that during this period, sales were negatively impacted by a general slow-down in the Domestic economy and by the crisis in the Middle East. In addition, it is the opinion of the Company that, in most instances, Distributors and ISO affiliates were either attempting to service too wide a geographic territory, lacking in qualified sales professionals or improperly trained.

During the nine month period ended March 31, 1992, the Company initiated a review of sales and marketing processes which included a review of the calibre and capabilities of each Distributor and ISO affiliate of the Company. Additionally, the Company launched a search for additional qualified ISO's and International Distributors. During the three month period ended December 31, 1991, the Company completed an ISO recruiting program which has established eleven (11) qualified selling organizations, representing approximately forty-one (41) individuals who, by January 1, 1992 were properly trained and in place. In September 1991, the Company hired a Vice President of Sales and Marketing with significant experience in the semi-conductor industry, who has increased sales and marketing staff by two (2) individuals, who are responsible for the all aspects of account management, including direct sales, ISO management, product demonstrations and lead solicitation.

It is management's belief that the newly established ISO's and International Distributors will experience a selling cycle of the Company's products which will range from three to 12 months, with an average of approximately nine months. As such, the revitalization of the Domestic direct and ISO selling efforts is anticipated to have a progressive positive impact on revenues achieved, the full impact being realized during the fiscal quarter ending September 1992 and beyond.

During the nine month period ended March 31, 1992 the Company has developed a High Speed Tester which was announced during January 1992. The Company shipped its first sales of this unit during the quarter ended March 31, 1992 and anticipates a positive impact on revenue. The High Speed Tester is designed to extend current product offerings and is not intended as a replacement of any current product offering. It is managements belief that the High Speed Tester has developed a strong interest worldwide. During the three months ended March 31, 1992, the Company has received $169,521 in High Speed Tester orders, $169,521 of which have been shipped through March 31, 1992.

During the three month and nine month periods ended March 31, 1992 there was no substantial impact on revenues caused by price changes. It is not presently anticipated that future price changes will have a significant impact on revenues in the future.

The Company has made a commitment to develop of additional products or service offerings which will enhance revenues. Such revenue enhancements may include the offering of high-value Printed Circuit Board ("PCB") repair services, turn-key PCB repair and consulting services or the sale of logically related Automated Test Equipment ("ATE"). It is anticipated that the impact of such revenue enhancements may be realized as soon as the second quarter of Fiscal Year 1993.

COST OF GOODS SOLD, expressed as a percentage of Revenue, for the nine months ended March 31, 1991 was 47% as compared to 50% for the same nine month period ended March 31, 1992. The increase in Cost of Goods Sold during each nine month period is attributable to a combination of events including; the low level of Domestic orders achieved in relation to total sales during 1991, the impact of higher sales levels achieved through International Distributors which include substantial contractual discounts and the impact of negotiated pricing on sales achieved through the Company's private label manufacturing agreement.

During the three months ended March 31, 1991 and 1992, Cost of Sales was 44% and 53% respectively. The increase during the period is principally attributable to an increase in sales level through the private label manufacturer. During the three months ended March 31, 1991, only one unit was sold through this channel while 37 units were sold for the three months ended March 31, 1992. Because of the low margins associated with these sales, cost of goods sold rose proportionately. Since the private label manufacturer agreement expires during May 1992 and the Company does not intend to renew this agreement, the Company expects cost of goods sold to decrease, as a percentage of revenue, especially as domestic markets are developed and the Company achieves higher levels of sales of new product or service offerings.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A") decreased from $1,403,438 during the nine months ended March 31, 1991 to $931,658 during the nine month period ended March 31, 1992. The decrease was $471,780 or 34% period-to-period. In April 1991 the Company entered into an agreement with the Thomas Group, Inc., of Irving, Texas (TGI) whereby administrative fees normally associated with the position of President and Chief Executive Officer were reduced by approximately $5,600 each month. Under the agreement, TGI provided an individual who served in the capacity of President and Chief Executive Officer on a daily basis through January 31, 1992. The agreement provided for certain non-cash compensation to TGI through January 31, 1992. In February 1992, the Company canceled this agreement and hired the individual at a rate of approximately $10,800 per month. Therefore, SG&A expenses during future periods are expected to increase due to this transaction.

The Company has decided to terminate the contract between itself and Managerial Resources, Inc., who provides the services of the Chief Financial Officer, effective May 31, 1992. This termination will reduce SG&A expenses by approximately $7,000 per month.

During the three month period ended March 31, 1991 and 1992, SG&A expenses totaled $409,573 and $295,428, respectively. The decrease was $114,145 or 28% period-to-period. The decreases are attributable to actions taken by the Company as described above.

It is anticipated that the Company will increase spending in areas associated with the marketing of current products or in the pursuit of additional revenue sources as may be appropriate. In addition, the Company is currently investigating the possibility of entering the PCB repair industry and expects to increase spending in this area.

RESEARCH AND DEVELOPMENT ("R&D") expenses during the nine month period ended March 31, 1991 and 1992 totaled $218,806 and $122,953, respectively. During the periods there was a decrease in non-capitalized R&D spending of $95,853, or 44%. During the same periods, capitalized R&D expenditures totaled zero and $128,018 for 1991 and 1992, respectively.

R&D expenses during the three month period ended March 31, 1991 and 1992 totaled $32,703 and $41,088, respectively. During the periods there was a increase in non-capitalized R&D spending of $8,385, or by 26%.

During the nine month period ended March 31, 1992 the Company focused on the completion of the development of a High-Speed tester which, in the Company's opinion, offers unique price and performance characteristics to the ATE marketplace. The first sales of the High Speed product series occurred during the quarter ending March 31, 1992. It is anticipated that R & D expenditures will continue at the current rate during future periods.

INTEREST AND OTHER DEBT expenses during the nine month period ended March 31, 1991 and 1992 totaled $18,734 and $31,752, respectively. During 1992 there was an increase of $13,018, or 69% as compared to the comparable nine month period of 1991. During the three month period ended March 31, 1991 and 1992, interest and other debt expenses totaled $8,114 and $10,412, respectively. During 1992 there was an increase of $2,298, or 28% as compared to the comparable three month period of 1991. A nominal portion of the expenses include interest payments on outstanding trade accounts payable. Factoring was achieved through affiliated and non-affiliated parties. Affiliated parties received $14,015 in interest and factoring expenses during the nine months ended March 31, 1992.

The increase in interest expense incurred during the nine month period ended March 31, 1991 and 1992 is attributable to the financing costs related to the 11% Convertible Promissory Notes executed in March 1991 and the 8.5% Convertible Promissory Notes executed in January 1992. The Company has continued using factoring entities as required to finance operations; however, these costs have remained relatively constant from period to period.

NET LOSS during the nine month period ended March 31, 1991 and 1992 was $1,275,682 and $189,209, respectively. The improvement in operating results is principally attributable to a substantial increase in revenues and to the reduction of non cost-of-sales related expenditures achieved during all of the periods.

LIQUIDITY AND CAPITAL RESOURCES

During the nine-month period ended March 31, 1992, the Company continued to use funds from the initial public offering, funds from short term notes and funds from product sales to finance its operating activities.

The revenue levels and resulting operating losses achieved in the past have severely strained liquidity. Even though revenue increased during the nine month period ended March 31, 1992, the Company continues to have a need for additional working capital. During the nine month period ended March 31, 1992, the Company initiated a temporary price reduction on the outstanding Class A warrants related to the initial public stock offering as an inducement for shareholders to exercise such warrants providing an additional source of working capital. During August 1991 the Company received $458,050 of gross proceeds related to the warrant call which constituted a reduction in the price of Class A Warrants, for a period of approximately 60 days, from $3.25 to $1.00 per share. The use of these proceeds included the payment of expenses associated with the warrant action, repayment of short-term bridge loans, notes payable and in the financing the general operation of the Company.

During January 1992, the Company borrowed an aggregate of $300,000 from four individuals: two unaffiliated investors, Philip Thomas, a Director and Chairman of the Board of the Company, and James Casey, President and Chief Executive Officer loaned the Company a total of $150,000. The loans are evidenced by Convertible Secured Promissory Notes that bear interest at the rate of 8.5% per annum. The Notes are secured by all the tangible and intangible assets of the Company. The principal plus accrued interest on the Notes is due on the earlier of (i) nine months from the date of the notes (July 4, 1992); or (ii) within 10 business days after the securing of adequate funds from a private placement (dale) of 144 stock in the Company. Each Noteholder has the right, at his option, prior to repayment of the Note, to convert up to five percent of the original principal amount of the Note into shares of Common Stock at $.10 per share, in which case the Company would issue a total of 150,000 shares to the Noteholders. The Noteholders also hold a one time demand registration right with respect to the shares of Common Stock that they receive upon conversion of the Notes. In the event the Notes are still outstanding thirty (30) days after their due date, the Noteholder also shall have the right at their option to convert the entire outstanding principal amount of these Notes plus any accrued interest on the Notes into the Company's $.001 par value per share Common Stock at a price of $.10 per share.

The Company has entered into discussions with its investment banker and with other sources with the intent of securing an additional source of liquidity of upto $1,000,000 before expenses. Such funding may involve the sale of additional equity, or in the establishment of long-term debt. While success cannot be assured, if such funds are secured it is the intent of the Company to first repay $300,000 in short-term working capital loans to affiliated and non-affiliated parties. The balance will be used to fund a portion of the costs associated with the introduction and marketing of a High-Speed Tester, to satisfy recently increased NASDAQ listing maintenance requirements, and to secure a source of additional working capital to be used in general operations.

During April 1992, the Company initiated a temporary price reduction on the outstanding Class A and Class B Warrants related to the initial public stock offering as an inducement for holders to exercise such warrants, thus providing an additional source of working capital. The Company expects to receive from approximately $400,000 to $920,000 in gross proceeds related to this warrant solicitation which constituted a reduction in the price of Class A and Class B Warrants, for a period of approximately 45 days, from $3.25 to $1.125 and from $3.00 to $1.00 per share, respectively. It is the intent of the Company to fund the introduction and marketing of a High-Speed Tester, to satisfy minimum NASDAQ requirements, to repay the short-term loans, and to secure an additional source of working capital to be used in general operations based on total funds received.

ACCOUNTS RECEIVABLE increased by $116,791, or 62%, during the nine month period ended March 31, 1992. The increase is attributable to the overall increase in revenues achieved during the period and to marginally extended payment terms offered to one International Distributor. The Company continues to aggressively collect receivables balances outstanding. During the period the Company has offered discounts on prepaid orders and has used factoring agents to accelerate the collection of accounts receivable from time-to-time as necessary.

INVENTORY decreased by $72,846, or 17%, from $437,710 at June 30, 1991 to $364,864 at March 31, 1992. The decrease in inventory balances is in line with the Company's intention to consume existing inventories whenever possible, to minimize the level of inventories and to maximize the "turn" of inventories as greater levels of revenues are achieved. The Company believes that adequate inventories exist to satisfy shipments of approximately two months, depending on mix and volume of orders received. The Company has improved its standing with vendors during the nine month period ended March 31, 1992. In some instances the Company is on cash-with-order with certain vendors or has negotiated special terms of payment in the instance where a pay out of prior balances is required. The Company does not anticipate any interruptions in the availability of raw materials.

In May 1992, the Company will conclude the private label contract established during February 1991. Even though the margins on these sales were low in comparison to other sales, the conclusion of this contract will have a negative impact on liquidity. The negative impact on liquidity is anticipated to be $19,200 monthly. The Company has initiated discussions with the original equipment manufacturer to provide the manufacturing of future sales for a royalty fee.

TERM NOTES PAYABLE during the nine month period ended March 31, 1992 were reduced by $257,793, including interest. Such notes were previously established during March 1991 through the sale for cash of 11% convertible promissory notes secured by inventory and raw materials of the Company. During the same period the Company resolved an additional note of $52,500, including interest which was associated with short-term factoring of accounts receivable to affiliated and non-affiliated parties.

TRADE ACCOUNTS PAYABLE decreased by 29%, or by $114,027, during the nine month period ended March 31, 1992. This decrease is attributable to a combination of events, including; the payment of current trade payables on a timely basis, the payment of prior trade payables on a scheduled basis, negotiated settlements with certain trade vendors, the payment of cash-with-order with certain critical trade vendors and the Company's policy of increasing the "turn" of inventory as shipments increase. It is the Company's intention to achieve normal trade payment terms with all vendors. The conclusion of the private label contract will have a positive impact on the trade payables since this creates many of the cash-with-order situations.

ACCRUED COMPENSATION at June 30, 1991 included previously accrued and unpaid wages owed to employees of $113,923. At March 31, 1992, previously accrued and unpaid wages totaled $49,748. Effective February 1992, the Company implemented a salary deferral plan in which the majority of the employees have deferred 20% of their salary. The Company intends to pay this deferral with proceeds from the warrant solicitation.

ACCRUED EXPENSES decreased by 65%, or $86,864, during the nine month period ended March 31, 1992. Accrued expenses totaled $50,658 at March 31, 1992 as compared to $133,522 at June 30, 1991. The reduction is attributable to payment of accrued commissions, payment of legal expenses and payments made to the Company's independent auditors.

On July 7, 1992, the Company moved into new facilities and signed a non-cancelable operating lease that expires on June 30, 1996. The minimum lease payments for the additional space are $140,184, $153,180, $153,180, $153,180 and $153,180 for the fiscal years ended June 30, 1992, 1993, 1994, 1995 and 1996, respectively.

In January 1991 the Company subleased to a third party, for a minimum period of 12 months, approximately 3000 square feet for $1,650 per month for the first 9 months and $2,490 thereafter. This sublease will continue on a monthly basis until a 90 day notice is given by either party. During December 1991, the Company renegotiated the lease agreement to reduce the leased space by approximately 4,900 square feet, and the monthly rent by $4,000 per month, for the remainder of the lease period.

The Company has currently found a third party to occupy the entire existing lease. As a result, a search for another facility was initiated. The Company intends to move into new facilities with less space and lower cost by August 1, 1992.

On July 7, 1991 a capital lease obligation of $41,968 was incurred when the Company entered into a lease for new telephone equipment. The present value of future minimum lease payments as of March 31, 1992 is $11,764 for each fiscal year ending June 30, 1992, 1993, 1994 and 1995, respectively.

The Company has steadily improved its liquidity during the nine-month period ended March 31, 1991; however, the Company remains in a crisis state until either the funding mechanisms are completed or a significant increase

in sales is established. The Company's losses have been substantially reduced. However, the Company recognizes that significant and continuing liquidity risks remain. It is the belief of the Company that a combination of: a continued increase in sales levels achieved and, if secured, additional sources of working capital achieved through equity and debt instruments presently in process, will substantially meet or exceed near-term requirements of the Company.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued Statement 109, "Accounting for Income Taxes" which will supersede Statement 96, "Accounting for Income Taxes". The Company currently accounts for income taxes under APB 11, having elected not to adopt Statement 96 prior to its required effective date. Statement 109 will change the Company's method of accounting for income taxes from the deferred method required under APB 11 to the asset and liability method. Under the deferred method, annual income tax expense is matched with pretax accounting income by providing deferred taxes at current tax rates for timing differences between the determination of net income for financial reporting and tax purposes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The Company presently does not know and cannot reasonably estimate the impact of Statement 109 on its financial statements.

Statement 109 is effective for fiscal years beginning after December 15, 1992, and earlier adoption is permitted. Statement 109 can be adopted by retroactively restating financial statements for any number of consecutive years before the effective date. In the earliest year restated, or in the year of adoption if no years are restated, the effect of initially applying this new pronouncement shall be reported as the cumulative effect of a change in accounting principle in the results of operations. The Company has not made a determination whether it will restate any prior years or adopt Statement 109 in 1993 on a prospective basis.

The Company does not provide post-retirement benefits to its employees.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is currently involved in litigation concerning a dispute of billings from previous legal counsel for services rendered during and prior to 1992. Claims totaling approximately $39,400 have been assessed by Plaintiff. No judgement or award has been established. It is the intent of the Company to aggressively defend its position.

Item 2. Changes in Securities

(None)

Item 3. Defaults on Senior Securities

(None)

Item 4. Submission of Matters to a Vote of Security Holders

(None)

Item 5. Other Information

(None)

Item 6. Exhibits and Reports on Form 8-K

Pursuant to Part II of Schedule D of the NASD By-Laws, on October 17, 1991, PROTECH, Inc. submitted a balance sheet for the period ending September 30, 1991, as minimum capital and surplus requirement. The balance in equity accounts on June 30, 1991 of $299,003 increased to $764,802 by March 31, 1992 as a result of a profit during the quarter ended September 30, 1991 and the sale of common stock during that same period.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

By: _____
Chief Executive Officer
J.W. Casey

By: _____
Chief Financial Officer
Stephen L. Martin

Date: May 15, 1992